

MEDIUM-TERM EXPRESS CREDIT PROGRAM

Policy Criteria

This Appendix sets forth the policy criteria applicable to Eligible Loans. The Participating Lender must determine that a transaction meets all such policy criteria before submitting the transaction for expedited Ex-Im Bank approval under Section 3.1. “Application” shall mean Ex-Im Bank “Preliminary Commitment and Final Commitment Application Form” with respect to medium-term guarantees and “Application for Medium Term Export Insurance Quotation Application Form” with respect to insurance Policies.

1. Participant Criteria

1.1 Exporter and Supplier

The “exporter” is the entity that contracts with the buyer for the sale of the US goods and services. The “supplier” is the entity that manufactures the goods and/or performs the services to be exported. The exporter and supplier must be identified in the Application, may be owned by non-US interests and may be the same company or different companies. Each of the exporter and supplier:

- Must operate production or service facilities located in the United States;
- Must be capable of performing its responsibilities under the export contract.

To determine whether or not the exporter/supplier meets this performance criteria, the Participating Lender must review the exporter/supplier’s recent credit report. (Should more than one exporter and supplier be involved in the transaction, then the Participating Lender must gather this information for the 2 largest of each.) The exporter/supplier is assumed to be capable of performing its responsibilities unless the credit report contains material negative information, such as an indication that the company may not exist in the near future (e.g., the company has recently filed for bankruptcy) or that the company’s owners or managers may have serious character flaws (e.g., an owner was recently released from prison). If the credit report contains such material negative information, the transaction is not eligible under the EXpress Credit Program

1.2 Buyer and End-User

The “buyer” is the entity that contracts with the exporter for the purchase of the US goods and services. The “end-user” is the entity that utilizes the US goods and services in its business. The buyer and end-user must be identified in the Application, and may be the same company or different companies. Each of the buyer and end-user:

- Must be domiciled in a country where Ex-Im Bank support is not legally prohibited.

The Participating Lender must review the Ex-Im Bank *Country Limitation Schedule* (CLS) on Ex-Im Bank's website at www.exim.gov to determine whether or not Ex-Im Bank support is legally prohibited.

2. Cash Payment

The transaction structure must require the buyer to make a payment of 15% (or more) of the value of the export ("cash payment") to the supplier no later than the time of disbursement of the Eligible Loan. The buyer may secure alternative financing for the cash payment as long as such financing is not officially supported by Ex-Im Bank or another US Government agency. Should the eligible foreign content be more than 15%, the required cash payment must be increased to the level of the eligible foreign content (see section 4 below).

3. Export Items

"Export Items" are the US goods and services to be exported pursuant to a contract between the exporter and the buyer. Export Items must satisfy all of the following criteria to qualify for coverage:

- 3.1 Item Type. The items must be capital equipment or project related services and not items typically financed with a repayment term of one year or less.

Examples of eligible Export Items:

Construction and agricultural equipment
Aircraft, locomotives, and other transportation equipment
Telecommunications equipment and installations
Manufacturing and processing equipment and plants
Power generation and transmission installations
Mining projects and processing facilities
Transfer of technology
Feasibility, engineering, and architectural services
Construction and commissioning services
Operations and maintenance services
Procurement and consultancy services
Used capital equipment

Examples of ineligible* Export Items

Agricultural commodities and raw materials
Consumer goods
Royalties related to production
Spare parts (except as a component of a related export of capital goods)

Bank fees related to the deal

*Refers to ineligibility for medium-term support. Such items may be eligible for short-term insurance support outside of the EXpress Credit Program.

- 3.2 Shipment Origin. The Export Items which are goods must have been or will be shipped from the United States.
- 3.3 Shipment Timing. The items must not have been exported (i.e., goods shipped or services performed) earlier than (i) 1 year prior to Ex-Im Bank's receipt of the Application or (ii) the date of the letter of interest .
- 3.4 Services. Services performed by US-based personnel employed by a company doing business in the US are eligible for Ex-Im Bank support as Export Items. The services can be provided in the US or at the foreign site. Eligible foreign content components for US service contracts are limited to the costs of foreign personnel employed directly by the US company for services performed under the contract, travel on non-US carriers and per diem or related expenses incurred outside the US.
- 3.5 Excluded Items:

3.5.1 *Military Items.* Any transactions related to defense articles, defense service, military items, dual use items (items with both military and commercial or civilian applications), and/or defense articles to be used for drug interdiction purposes and/or coast guard/border patrol functions are not eligible for consideration under the EXpress Credit Program, but may be submitted for Ex-Im Bank review and processing under the standard medium-term program. In defining what is a "defense article" or "defense service", the Participating Lender must review the identity of the end-user, the nature of the item, and the intended use of the item. If the items are sold to a military organization, they are considered to be defense articles until proven otherwise, and if the items are designed primarily for military use, they are presumed to be defense articles.

3.5.2 *Nuclear Items.* Any transactions dealing with Export Items that are to be used in the construction, alteration, operation, or maintenance of a nuclear power, enrichment, reprocessing, or research facility are not eligible for consideration under the EXpress Credit Program, but may be submitted for Ex-Im Bank review and processing under the standard medium-term program.

- 3.6 Excluded transactions:

In addition to the transactions mentioned above, the following transactions are excluded from the EXpress Credit Program:

Lease transactions

Transactions with progress payments or multiple repayment schedules

- Transactions requesting financing of interest during construction
- Transactions where (i) the Participating Lender, supplier or exporter and (ii) either the borrower or guarantor is related (except for political risks only coverage)
- Transactions involving ancillary fees
- Transactions in countries where Ex-Im Bank does not offer short-term discretionary credit limits as indicated on the CLS footnote #1.

4. **Financed Amount and U.S. Content Rules**

The “financed amount” is the principal amount of the proposed loan, consisting of: (1) an amount equal to the lesser of 85% of the aggregate invoice amounts of the Export Items or 100% of the US content of such Export Items, plus (2) the Exposure Fee (as defined in 4.3.)

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US Content: For medium-term transactions, an individual supplier may aggregate items that contain foreign content within a single disbursement request or, with respect to Insurance, Approved Loan. Eligible foreign content must meet both of the following criteria: (1) the value of the foreign content may not exceed 50% of the aggregate production cost of the aggregated items; and (2) all content must be shipped from the US. Aggregate production cost is the sum of (1) direct material and component costs, (2) direct labor costs, and (3) indirect costs that can be reasonably attributed to the production of the items. **Note:** Ex-Im Bank’s definition of foreign content does not include local content, i.e., costs incurred in the country of the buyer, with the exception of inland freight costs in the end-user’s country. This information should be available from the supplier and will be required on the supplier certificate.

4.1 Transportation Costs

“Transportation costs” are freight costs incurred to transport the Export Items by air, land, and/or sea from the shipment point in the US to the delivery point in the end-user’s country. Transportation costs may include the cost of US and foreign inland freight, as well as the cost of ocean and air freight, specified in the export contract. The export contract will stipulate whether these costs are the responsibility of the seller or the buyer.

To qualify for coverage, transportation costs must be included in the contract price Ex-Im Bank is asked to support. This requirement does not prohibit the buyer from independently purchasing transportation services under a contract other than the

contract with the manufacturer of the Export Items. However, since a separate contract for shipping services would represent a separate item of supply, only such contracts placed with US carriers would be eligible for Ex-Im Bank support.

Eligible transportation costs are considered to be part of the US content of the items if shipment is made on (1) vehicles (e.g., trains and trucks) operated by US-based carriers, and (2) vessels or aircraft of US registry. The US shipping cost for the item is considered US content if it is included in the total contract price of the item. Transportation costs are part of the eligible foreign content if shipment is made on (1) vehicles operated by foreign-based carriers, and (2) vessels or aircraft of non-US registry. The cost of inland freight in the end-user's country is considered eligible foreign content, not local costs. Exceptionally, the cost of ocean freight for shipments to Brazil on vessels registered in Brazil is treated as US content. Foreign shipping cost for the item, as permitted under P.R. 17, is considered to be a foreign component if it is included in the total contract price of the item.

Coverage of the US content and eligible foreign content of transportation costs is determined in the same manner as coverage of the US content and eligible foreign content of the related Export Items.

4.2 Marine and Transit Hazard Insurance Costs

“Insurance costs” are premia for insurance on the Export Items against marine and transit hazards. Ex-Im Bank requires that Export Items be insured against marine and transit hazards during shipment.

To qualify for coverage, insurance costs must be included in the contract price Ex-Im Bank is asked to support.

Eligible insurance costs payable in US dollars under policies of insurance placed with US companies in the US are considered to be part of the US content of the items. All other eligible insurance premia are considered to be part of the eligible foreign content of the items.

Coverage of the US content and eligible foreign content of insurance costs is determined in the same manner as coverage of the US content and eligible foreign content of the related Export Items.

4.3 Ex-Im Bank Exposure Fee

The “Exposure Fee” is Ex-Im Bank’s charge for accepting the credit risk of a transaction. Exposure Fees are payable either (1) in a lump sum no later than the date of the first utilization of the guaranteed loan or insurance or (2) on a pro-rata basis at the time of each utilization of the guaranteed loan or insurance. If the fee is financed by Ex-Im Bank, the fee amount is added to the outstanding principal balance

of the guaranteed loan.

Participating Lenders may obtain a non-binding indication by referring to the Exposure Fee Calculator at Ex-Im Bank's Website, www.exim.gov. Changing conditions may result in a different rate being finally offered than is initially indicated.

5. Repayment Terms

5.1 Frequency of Installments

The frequency of principal payments is semiannual. Payments are due on the same day of two months, six months apart, calculated from the first repayment date.

5.2 Amount of Installments

The standard amount of each principal installment is equal to the total authorized principal amount divided by the number of installments.

5.3 First Repayment Date

The "first repayment date" is the date on which the first installment of principal is due from the borrower. The standard first repayment date is 6 months after the date of the "starting point of credit". The Participating Lender will determine which of the five starting point events applies based on a review of the export contract.

The starting point of credit is:

5.3.1 *Parts or components (intermediate goods):*

In the case of parts or components (intermediate goods, including related services), the starting point of credit is not later than the actual date of acceptance of the goods or the weighted mean date of acceptance of the goods (including services, if applicable) by the buyer or, for services, the date of the submission of the invoices to the client or acceptance of services by the client.

5.3.2 *Quasi-capital goods (including related services):*

In the case of quasi-capital goods (including related services), the starting point of credit is not later than the actual date of acceptance of the goods or the weighted mean date of acceptance of the goods by the buyer or, if the exporter has responsibilities for commissioning, then the latest starting point is at commissioning, or for services, the date of the submission of the invoices to the client or acceptance of the service by the

client. In the case of a contract for the supply of services where the supplier has responsibility for commissioning, the latest starting point is commissioning.

5.3.3 *Capital goods and project services:*

In the case of a *contract for the sale of capital goods* consisting of individual items usable in themselves, the latest starting point is the actual date when the buyer takes physical possession of the goods, or the weighted mean date when the buyer takes physical possession of the goods.

- In the case of a contract for the sale of capital equipment for complete plant or factories where the supplier has no responsibility for commissioning, the latest starting point is the date at which the buyer is to take physical possession of the entire equipment (excluding spare parts) supplied under the contract.
- If the exporter has responsibility for commissioning, the latest starting point is at commissioning.
- For services, the latest starting point of credit is the date of the submission of the invoices to the client or acceptance of service by the client. In the case of a contract for the supply of services where the supplier has responsibility for commissioning, the latest starting point is commissioning.

5.3.4 *Complete plants or factories:*

- In the case of a contract for the sale of capital equipment for complete plant or factories where the supplier has no responsibility for commissioning, the latest starting point of credit is the date when the buyer takes physical possession of the entire equipment (excluding spare parts) supplied under the contract.
- In case of construction contracts where the contractor has no responsibility for commissioning, the latest starting point is the date when construction has been completed.
- In the case of any contract where the supplier or contractor has a contractual responsibility for commissioning, the latest starting point is the date when he has completed installation or construction and preliminary tests to ensure it is ready for operation. This applies whether or not it is handed over to the buyer at that time in accordance with the terms of the contract and irrespective of any continuing commitment which the supplier or contractor may have, e.g. for guaranteeing its effective functioning or training local personnel.
- Where the contract involves the separate execution of individual parts of a project, the date of the latest starting point is the date of the starting point for each separate

part, or the mean date of those starting points, or, where the supplier has a contract, not for the whole project but for an essential part of it, the starting point may be that appropriate to the project as a whole

For services, the latest starting point of credit is the date of the submission of the invoices to the client or the acceptance of service by the client. In the case of a contract for the supply of services where the supplier has responsibility for commissioning, the latest starting point is commissioning.

5.4 Number of Installments

The number of principal installments is based on the repayment term appropriate for the proposed loan. The “repayment term” is the period from the starting point date until the final repayment date.

5.4.1 *Standard Payment Terms*

To determine the appropriate repayment term for a transaction, the following schedule must be consulted. The terms shown in this chart apply *in the absence of* the factors described in Section 5.4.2. The “contract price” is the price of the US goods and services, including any eligible foreign content.

<u>Contract Price/Export Type</u>	<u>Maximum Repayment Term</u>
Capital equipment with a contract value of less than \$80,000. Livestock (breeding, dairy and draught, excluding fowl) with a contract value of up to \$150,000	up to 2 years
Capital equipment with a contract value of \$80,000 to \$174,999. Livestock as above with a contract value of more than \$150,000	up to 3 years
Capital equipment with a contract value of \$175,000 to \$349,000	up to 4 years
Capital equipment with a contract value of at least \$350,000	up to 5 years

Livestock (not including fowl) may receive support for repayment periods of up to 3 years, depending on the contract value.

Services associated with the sale and installation of capital equipment

and included in the contract price may be amortized with the repayment term of the contract.

5.4.2 *Shorter Than Standard Terms*

If the Export Items are purchased for resale, the term generally may not exceed 2 years.

5.5 Final Disbursement Date and Guarantee Expiry Date - Guarantees Only

The standard final disbursement date is the date four months after the starting point date. But if the starting point date is based on the mean shipment or mean services date, the final disbursement date is the last day of the month in which the final shipment is to occur or the services are to be completed. (For Insurance, the final disbursement date is determined pursuant to the provisions of the Policy.)

The guarantee expiry date is one month after the final disbursement date.

5.6 Interest Payments

The standard month and day of interest payment dates coincide with the month and day of principal payment dates. Interest is payable in arrears semiannually.

5.7 Loan Rates

Interest rates on Ex-Im Bank guaranteed- or insured loans are negotiated between Participating Lenders and borrowers.

Interest rates on guaranteed- or insured loans may be fixed or floating

5.8 Commitment Fee-Guarantees Only

The “commitment fee” is Ex-Im Bank’s charge for maintaining the availability of the unutilized portion of a guarantee is 1/8 of 1% per annum for a guarantee.

The applicable commitment fee accrues beginning sixty days after the authorization date on the undisbursed and uncanceled balance of the guaranteed loan. The commitment fee is payable in arrears on the interest payment dates, beginning with the first interest payment date which occurs at least 105 days after the authorization date.